SMALL BUSINESS
RESEARCH SUMMARY

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Impact of Purchase Card Activity on Small Business

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Purpose

To reduce paperwork and time associated with federal procurement, agencies have turned to using credit cards to purchase the goods and services they need. Credit card purchases are by their nature small purchases that should be set aside for small firm procurement; however, federal agencies are not currently making all such purchases from small firms. This study looks at the impacts of federal agency credit card use on small business.

Overall Findings

Although credit card purchases are small purchases, the increasing use of credit cards by the government is decreasing small businesses' share of federal procurement. The finding is clear, but would be clearer if the data required to be collected were in fact collected and available.

Highlights

• The use of government credit cards began as a pilot program in 1986 and became the preferred method for making small purchases in 1994.

• There are currently three types of government charge card programs: purchase cards, travel cards, and fleet cards. This study focuses primarily on purchase cards.

• In FY 2001, 3.2 million government credit cards were used to spend $19.7 billion on goods and services; purchase cards accounted for $13.8 billion of the credit card total.

• Purchase cards accounted for 6 percent of total government procurement dollars in FY 2001.

• Dollars spent through purchase cards nearly doubled every year from FY 1990 to FY 1996 but increased relatively little from FY 2000 to FY 2001.

• The size of the average purchase card transaction more than doubled over the FY 1989-FY 2001 period as the cards were used for larger and larger purchases.

• GSA data that might give an accounting of the small business share of purchase card procurement are too incomplete to allow conclusions to be drawn.

• Data available for one agency, the National Aeronautics and Space Administration (NASA), indicate that the small business share of purchase card dollars fell from 16.7 percent in FY 2000 to 15.7 percent in FY 2001.

• Findings based on the NASA data indicate that agencies are not following through in setting aside their government purchases between $2,500 and $100,000 for small businesses, and that purchase card buys contribute to this effect.

• The report indicates that small firms are receiving lower shares of prime contracting dollars with purchase cards than through other procurement methods, as agencies shift small business set-aside procurements towards purchase cards.

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Scope and Methodology

The contractor began this project by searching for socioeconomic data required to be collected in the U.S. General Services Administration's (GSA) 1998 master SmartPay contract for each credit card purchase. After a search of agency, GSA, and credit card bank data, it became apparent that the requirement had fallen through the cracks. Fortunately, some information was available.

Only partial GSA credit card data breaking out the small firm segment were available. Four GSA sources were identified and evaluated in the appendix. NASA did have a small firm breakout. Using NASA as a representative agency is a conservative approach as in comparison with some other agencies, NASA is more likely to involve small businesses in the procurement process.

There are three government credit cards—purchase cards, travel cards and fleet cards. The purchase card is used to buy commodities like office supplies, computers and peripherals, subscriptions, and small bundles of services, while the fleet card is used for minor vehicle-related expenses and the travel card is used for government travel. The three are referred to as the SmartPay program. The report focuses on purchase cards because they constitute the largest share of government credit card purchases and they allow the buyer more choice of vendors. The analysis period was FY 1989 to FY 2001.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small Business Administration's Office of Advocacy are available on the Internet at ***www.sba.gov/advo/research***.

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